

# MERCER'S RESPONSE: 2017 ONTARIO BUDGET

While focusing heavily on social spending, the Ontario Government also set its sights on improving healthcare and continuing pension reform. On April 27th, Ontario Finance Minister, Charles Sousa, tabled the 2017 Ontario Budget. Along with it came a number of implications and considerations for employers.

## HEALTH BENEFITS

The Budget places a heavy emphasis on healthcare with increases to hospital funding and special attention to decreasing wait times, home care and better support for seniors. However, the centerpiece is the introduction of OHIP+, a universal drug plan for children and youth age 24 and under to be implemented January 1, 2018. This program with no income testing and full coverage of all drugs on the Ontario Drug Benefit formulary is unlike other drug programs in Canada and will have employers in the province revisiting their current health benefit plans.

## PENSIONS

Retirement security of Ontarians has been a key policy area for this Government in recent years. We are happy to see a confirmation of the Government's commitment to bring forward in 2017 a revised funding regime for single employer defined benefit pension plans and target benefit MEPPs, including transition provisions in the short-term.

The Budget is also addressing defined contribution (DC) plans which represent a growing share of workplace pension plans. The proposed implementation of a variable benefits option is a welcome development for those DC plan sponsors who want to give their retiring plan members an option to continue using the investment options offered to active members, thereby benefiting from lower fees available in the institutional DC space.

Because many DC record keepers already provide information about expected retirement income on member statements, the proposed enhanced disclosure requirements in the Budget may be a non-event in many situations. Having said that, it will be interesting to see what information has to be disclosed and whether any guidance will be provided on the methodology to be used in the pension projections.

## SEVERAL IMPORTANT CHANGES ARE ON THE WAY AND WILL IMPACT EMPLOYERS:

### EMPLOYMENT STANDARDS

There are upcoming reforms of labour and employment legislation. The Changing Workplaces Review will be completed this spring after which the government will consider its recommendations addressing issues such as the definition of employee.

### HEALTH BENEFITS

#### **OHIP+: Children and Youth Pharmacare**

Ontario will launch OHIP+: Children and Youth Pharmacare to provide drug coverage for all children and youth across the province starting January 1, 2018. The new program will be available to all children and youth aged 24 and under, regardless of family income. It will cover the cost of all medicines funded through the ODB Program with no deductible or co-payment.

We expect OHIP+ to be first payer, and employer sponsored plans will likely adjust their coverage to exclude drug coverage for dependent children aged 24 and under. Given the ongoing discussions about a national Pharmacare program, one could speculate that Ontario is hoping to drive the national agenda on this front – something they did when pushing for changes to the CPP by introducing a made-in-Ontario retirement plan.

### **ODB Seniors co-payment Program**

As announced in the 2016 budget the government is proceeding with the plan to raise the income threshold to allow more seniors to qualify for the low deductible plan.

### **Amendments to the Ontario Drug Benefit Act**

The province is proposing changes to the Ontario Drug Benefit Act to allow it more ability to adjust pharmacy payments and to continue to support its efforts to obtain more value for money in the pharmacy sector.

## **PENSIONS**

The budget is a progress report on many pension initiatives, and some initiatives have been added to the agenda.

### **Funding**

Review of the solvency funding framework for defined benefit plans continues. Principles will be announced this spring and draft regulation will be released this fall. Meanwhile unspecified measures to support transition to the new framework will be implemented this spring.

A framework for target benefit multi-employer pension plans will be announced this spring with draft regulation for consultation in the fall.

A new set of changes to facilitate the merger of public sector single employer plans into existing jointly sponsored pension plans is in the works.

### **Defined Contribution Plans**

Regulations for payment of variable benefits directly from a DC plan are expected this spring, and the government will consider new approaches for payout in retirement.

Improvements in communication to DC plan members will be developed, especially for annual statements and providing guidance about the retirement income that a DC plan may be able to generate.

### **Regulatory Authority**

The new Financial Services Regulatory Authority (FSRA) board of directors will be appointed this spring. By the end of this year legislation on the mandate and governance structure of the FSRA will be introduced. FSRA will replace the Financial Services Commission of Ontario.

Regulations to implement the Superintendent's power to impose administrative fines for specified offences will be posted for consultation this spring.

A new set of amendments is proposed to give the Superintendent new powers, including to require a plan administrator to provide members with information specified by the Superintendent, and to require the administrator to hold a meeting to discuss matters specified by the Superintendent.

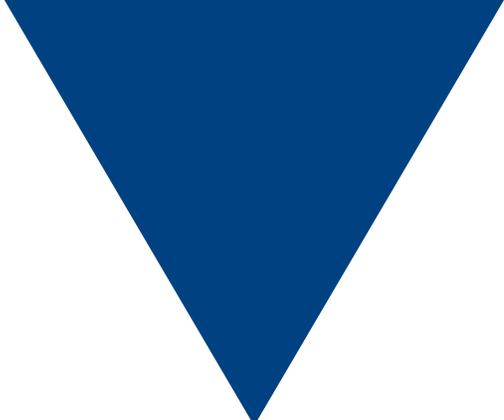
### **Missing Beneficiaries**

An amendment to the Pension Benefits Act will be made to allow the Superintendent to waive the periodic pension statement requirement where the beneficiary is considered missing.

The Superintendent will be asked to develop a policy to provide direction to administrators on expectations for locating beneficiaries.

Work will be done to develop ways to assist administrators. This might include a registry for posting information, and something to address plan wind ups with missing beneficiaries.

For more information on the Ontario Budget, how it will impact employers, and strategies to address the changes, contact a Mercer Consultant today.



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